

Message Text

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C O N F I D E N T I A L STATE 152842

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: ZAIRE DEBT AND JULY 6-7 PARIS CLUB MEETING

REF: (A) TOKYO 9830, (B) STATE 147927, (C) TOKYO 9138,
(D) STATE 132820

1. USG POSITION ON ZAIRE DEBT RESCHEDULING AS EXPRESSED IN
REFTEL D IS UNCHANGED. USG BELIEVES 1977 AGREEMENT SHOULD
RESCHEDULE: (1) PRINCIPAL PLUS INTEREST FOR THE FIRST HALF
OF 1977, AND (2) PRINCIPAL FOR THE SECOND HALF OF 1977.
THIS POSITION IS BASED LARGELY ON OUR BELIEF THAT ZAIRE'S
BOP POSITION IS EXPECTED TO BE BETTER IN THE SECOND HALF OF
1977 THAN IT WAS IN THE JANUARY-JUNE SEMESTER.

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2. THE AMOUNT OF DEBT RESCHEDULED IN CREDITOR CLUB OPERA-
TIONS HAS TRADITIONALLY BEEN DIVIDED INTO A "CONSOLIDATED"
AND "NON-CONSOLIDATED" PORTION. PAYMENTS ON THE NON-CONSOL-
IDATED DEBT ARE GENERALLY FIXED FOR DATES WITHIN ONE OR 2
YEARS OF THE RESCHEDULING AGREEMENT. PAYMENTS ON THE CON-
SOLIDATED DEBT ARE RESCHEDULED OVER A LONGER PERIOD OF TIME.

IN LAST YEAR'S AGREEMENT, 15 PERCENT OF THE DEBT COVERED BY THE AGREEMENT WAS CONSIDERED NON-CONSOLIDATED AND WAS SCHEDULED FOR REPAYMENT IN 1977 AND 1978. 85 PERCENT OF THE DEBT COVERED BY THE AGREEMENT WAS "CONSOLIDATED" AND RESCHEDULED FOR PAYMENT OVER A 10 YEAR PERIOD. OUR REFERENCE TO 85 PERCENT (REFTEL B) WAS IN RELATION TO CONSOLIDATED DEBT, ALTHOUGH WE ARE ALSO WILLING TO TREAT NON-CONSOLIDATED DEBT IN A SIMILAR FASHION TO LAST YEAR'S AGREEMENT.

3. WE NOTE (REFTEL C) JAPANESE BELIEF THAT NO 1977 INTEREST SHOULD BE INCLUDED IN RESCHEDULING. SINCE THE GOZ HAS PAID VERY LITTLE OF ITS INTEREST OBLIGATIONS FALLING DUE DURING THE FIRST HALF OF 1977, WE SEE LITTLE CHANCE THAT THE GOZ COULD ELIMINATE THESE "ARREARAGES" IN THE NEAR FUTURE. FOR THIS REASON, WE BELIEVE THE FIRST SEMESTER INTEREST DUE SHOULD BE RESCHEDULED. WE WOULD, HOWEVER, AGREE WITH GOJ THAT INTEREST DUE DURING THE SECOND SEMESTER OF 1977 SHOULD BE EXCLUDED FROM AGREEMENT.

4. WITH REGARD TO QUESTION RAISED IN PARA 2 REFTEL C, USG HOPES TO CONVINCE OTHER CREDITORS THAT OUR VIEWS AS EXPRESSED REFTEL C ARE A REALISTIC RESPONSE TO ZAIRE'S CURRENT SITUATION.

5. A BILATERAL USG-GOZ DEBT AGREEMENT IMPLEMENTING LAST YEAR'S PARIS CLUB AGREEMENT WAS SIGNED IN WASHINGTON ON CONFIDENTIAL

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JUNE 15. APPROXIMATELY 46 MILLION DOLS WAS RESCHEDULED. THE "WEIGHTED AVERAGE" INTEREST RATE WAS 7.8 PERCENT.

6. GOVERNMENT AND GOVERNMENT GUARANTEED DEBT FALLING DUE TO USG AGENCIES IN 1977 TOTALS 69.6 MILLION DOLS, OF WHICH 35.5 MILLION DOLS IS PRINCIPAL AND 34 MILLION DOLS IS INTEREST. VANCE

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